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BILL ANALYSIS

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Senate Bill 331 (as introduced 4-14-11)
Sponsor: Senator Joe Hune
Committee: Regulatory Reform

Date Completed: 5-19-11

CONTENT

The bill would repeal a section of the Michigan Liquor Control Code that imposes a 1.85% tax on the retail selling price of spirits for off-premises consumption. The bill also would delete a reference to that section in a provision prohibiting a specially designated distributor (SDD) from selling alcohol at less than the minimum retail selling price.

Section 1205 of the Code imposes a specific tax equal to 1.85% of the retail selling price of spirits for consumption off the premises, in addition to any and all taxes imposed by law. The Liquor Control Commission must collect the specific tax at the time it sells the liquor. The Commission must deposit the entire proceeds in the State Treasury, to the credit of the Liquor Purchase Revolving Fund (which is used for replenishing, maintaining, warehousing, and distributing liquor stock throughout the State and for administration of the Code). The bill would repeal Section 1205.

In addition, except as otherwise allowed, if an SDD sells alcoholic liquor to a hotel or merchant licensed to sell spirits for off-premises consumption, the alcohol may not be sold at less than the minimum retail selling price fixed by the Commission. "Minimum retail selling price" means the retail selling price plus certain specific taxes, including the one imposed under Section 1205. The bill would delete reference to that tax from the definition.

(An SDD is an established business licensed by the Liquor Control Commission to distribute spirits and mixed spirit drink in the original package for the Commission for off-premises consumption.)

MCL 436.1229 et al. Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Proceeds from the 1.85% tax that would be eliminated under the bill are currently credited to the Liquor Purchase Revolving Fund (LPRF). Much of the cost related to the operation of the Liquor Control Commission is paid from this Fund, as is the purchase of liquor by the State for resale. The 1.85% tax raises about $14.0 million per year, which would be lost under the bill. Excess LPRF revenue is regularly transferred to the General Fund, and it is likely that the lost tax revenue would be taken from these transfers. The likely net effect of the bill, then, is a loss of $14.0 million in General Fund/General Purpose revenue annually.

Fiscal Analyst: Josh Sefton

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